GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1714
ANSWERED ON:10.12.2004
DEBT RESTRUCTURING MECHANISM
Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

(a) whether small and medium enterprises are under stress from globalisation and competition;

(b) if so, whether Reserve Bank of India has recommended a debt restructuring mechanism for medium sized companies with loan exposures;

(c) if so, the details in this regard; and

(d) the time by which the recommendations of RBI in this direction are likely to be implemented by commercial banks and other financial institutions?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a):- Competition from more efficient units can cause stress to Small & Medium enterprises.

(b) to (d):- Reserve Bank of India (RBI) has reported that, as announced by the Governor in his Annual Policy Statement for the year 2004-05, a Special Group has been constituted under the Chairmanship of one of the Chief General Managers of RBI with other members from SIDBI, State Bank of India, Bank of Baroda and Department of Banking Operations and Development of RBI to formulate a mechanism for debt restructuring for medium enterprises, on the lines of the Corporate Debt Restructuring (CDR) Scheme for large industries. The Special Group has held discussions with different stakeholders viz. SSI Associations, State Finance Corporations; commercial banks and urban co-operative banks. The Group has also visited auto ancillary clustei near Pune. The Group has submitted the report on November 5,2004. The report has been put ir the public domain by RBI for seeking comments from the public/experts and for taking a view or the future course of action.